

THE ECONOMIC IMPACT OF FREE WORLD EMBARGOS AGAINST THE SINO-SOVIET BLOC

The Sino-Soviet Bloc is probably less vulnerable to a concerted program of defensive trade controls than any other contiguous land area on the earth's surface. The USSR and in large degree its Bloc neighbors exhibit a lack of dependence on external sources of supply unequalled by any other industrial nation, even the United States. To a large extent the position of relative invulnerability is a function of the early economic isolation of the USSR and of subsequent isolation of newly organized Communist states. As a result of a tradition of autarky coupled with ample and diverse resources, the Soviet Union today is maintaining impressive industrial growth essentially without recourse to foreign sources of supply.

While it is true that during the 1930's the USSR carried on a very selective program of importing Western capital goods, it was as much the purchase of technology as it was of machinery. American and European engineers accompanied the machines and helped to establish the industries for which the goods were purchased. In any event, the time is past when the interruption in this type of import would substantially hinder Soviet industrial production. With an industrial base second only to that of the United States and with the rapid strides being made in Soviet science and technology, there is no principal economic area in which the USSR and its Bloc neighbors are dependent to an important degree on industrial or raw material products currently under multilateral embargo by the Free World.

The theory underlying the embargo by Western nations of economic goods and services is that such denial will measurably restrict possible Soviet courses of action against the Free World. Although the complexity and specialization in a modern industrial economy such as the USSR creates an easy impression of bottlenecks, there exists in such an economy a broad base of tools, skills, and equipment of multipurpose nature which may be substituted one for another in the production of a wide range of items. Likewise, a large basic tool-making capacity is in being and the utilization of this capacity can be directed to that equipment which produces goods, the production of which the Free World might seek to deny. Complexity tends to breed greater flexibility even as it breeds specialization.

Thus, the task of formulating a program of denial which will effectively accomplish the goal of diminishing Soviet capability to take courses of action detrimental to Western interests is a very difficult one indeed. This is not to say that the Western embargo

has not had an effect. It has forced the Bloc in some cases to turn to more costly domestic sources or to substitutes. It has increased transportation costs by denying Bloc purchases in easily-accessible Free World markets. It has delayed and sometimes increased developmental costs of new products and techniques by withholding advanced technological data. It should be noted, however, that these costs and delays are more a relatively short-run inconvenience than a long-run deterrent to economic growth.

Thus, the task of achieving a measurable impact through selective denial of economic goods on a group of countries whose industrial base was deliberately patterned to permit economic isolation and whose natural resource base is in the main adequate for modern production is not an easy one. Only in a very few instances can it be safely estimated that the Bloc actually has need to rely on Free World sources of supply (e.g., copper and rubber). Whatever economic costs are incurred as a result of Western denials will be met by a redistribution of resources from lower priority sectors like consumer industries to more important sectors like heavy industry and defense.